

**STATE OF MICHIGAN
DEPARTMENT OF LABOR AND ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES**

Before the Commissioner of the Office of Financial and Insurance Services

In the matter of:

International Vacations, Ltd.
9920 S. La Cienga Blvd. 9th Floor
Inglewood, CA 90301

Enforcement Case No. 04-2854

Franz E. Bader, President
International Vacations, Ltd
9920 S. La Cienga Blvd. 9th Floor
Inglewood, CA 90301

Franz E. Bader, President
International Vacations, Ltd
14040 Tahiti Way #532
Marina Del Ray, CA 90292

Jodie Napolitan, Executive Vice President
International Vacations, Ltd.
9920 S. La Cienga Blvd. 9th Floor
Inglewood, CA 90301

Respondents

Issued and entered this
28th day of September, 2004
by Linda A. Watters,
Commissioner

ORDER TO CEASE AND DESIST

The Office of Financial and Insurance Services (hereafter OFIS), of the Michigan Department of Labor & Economic Growth, pursuant to the Administrative Procedures Act of 1969, 1969 PA 306, as amended; MCL 24.201 et seq., the Michigan Uniform Securities Act, 1964 PA 265, as

amended; MCL 451.501 et seq. (hereafter the Act), and the rules promulgated under the Act (hereafter the Rules), says that:

**I.
BACKGROUND**

The staff of the Office of Financial and Insurance Services (“OFIS”) alleges that the following facts are true and correct:

1. Respondents International Vacations, Ltd (“International”) , its Executive Vice President Jodie Napolitan (“Napolitan”) and its President Franz E. Bader (“Bader”) operate a website where owners of timeshare property can list their timeshares for sale or rent. The website is located at www.ivacation.com.
2. On or about January 13, 2004 OFIS received a complaint from xxxxxxxxxxxxxx (“Complainant”) against Respondents.
3. Complainant states she listed her timeshare for sale or to rent on International’s website on or about August 23, 2000.
4. On or about February 22, 2001 Complainant received a letter from International offering Complainant the opportunity to buy shares of International stock.
5. In May 2001, Napolitan contacted Complainant via telephone.
6. Napolitan informed Complainant about the opportunity to purchase International’s stock before its initial public offering.
7. Napolitan offered the shares at \$1.00 per share and assured Complainant the stock would soon be over \$5.00 per share after International went public.
8. Bader also informed Complainant that International was “going public to grow our company.” To this date International is not publicly traded.

9. On or about May 10, 2001, Complainant received a letter from Napolitan again offering her the opportunity to purchase International's stock. The letter offered two different classes of International's stock, "Founder Shares" for \$0.01 each and "Shares" valued at \$1.00 each.
10. On or about May 26, 2001, Complainant wrote two checks to International to purchase shares. One check was in the amount of \$30.00 for 300 "Founder Shares" and the other was in the amount of \$3,000.00 for 3,000 "Shares".
11. International issued two stock certificates, one dated October 1998, which was actually issued in 2001 and the other was dated June 2001.
12. Complainant alleges multiple attempts to redeem the value of her shares were unsuccessful.
13. A search of the records of OFIS and the Central Registration Depository ("CRD"), which is maintained by the National Association of Securities Dealers, Inc. ("NASD") revealed International, Bader and Napolitan are not registered securities broker dealers.
14. International, Bader or Napolitan have not provided any information to show they are registered or are exempt from registration under the Michigan Uniform Securities Act ("Act").
15. International, Bader or Napolitan also have not provided any information to prove the "Founder Shares" and "Shares" are securities exempt from registrations under the Act.

II. CONCLUSIONS OF LAW

Respondents, at all times material herein, were not registered by OFIS as a broker-dealer, an agent, or an investment advisor.

Respondents, doing business as, International Vacations, Ltd., all times material herein, were not registered or authorized by OFIS to conduct business in the State of Michigan.

Section 201 of the Act, MCL 451.601, prohibits a person from transacting business in this state as a broker-dealer, an agent, or an investment advisor unless they are registered under this Act.

Respondents acted as broker dealer in the State of Michigan without being registered.

Section 301 of the Act, MCL 451.701, provides that it is unlawful for any person to offer or sell any security in this state unless 1 of the following is met:

- (1) It is registered under the Act.
- (2) The security or transaction is exempted under Section 402 of the Act.
- (3) The security is a federally covered security.

Respondents offered unregistered securities in the State of Michigan. Neither the securities nor the transactions were exempt from registration and the securities were not federally covered.

Section 101 of the Act, MCL 451.501, provides that it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

The shares issued by Respondents were intended to defraud investors such as the Complainant.

Section 407(b) of the Act, MCL 451.807(b) allows the administrator to compel the production of documents the administrator deems relevant or material to its investigation.

Respondents failed to file a written statement with the Administrator as required in letters sent to International, Bader and Napolitan.

Section 408 of the Act, MCL 451.808, provides that the Administrator may impose a civil penalty of not more than \$1,000.00 for each violation of this Act, up to a total of \$10,000.00.

Section 409 of the Act, MCL 451.809, provides that a person who violates Section 101, 201, or 301 shall upon conviction be fined not more than \$25,000.00 for each violation, or imprisonment of not more than 10 years, or both.

WHEREAS, the Administrator finds that a person must be registered under the Act in order to offer to sell or sell securities; and

WHEREAS, the records of OFIS disclose that Respondents are not registered under the Act; and

WHEREAS, the securities offered by the Respondents are within the meaning of Section 401 of the Act; and

WHEREAS, the records of OFIS disclose that the securities offered by Respondents are not:

- (a) Registered under Section 302 of the Act;
- (b) Exempt from registration under Section 402 of the Act; and
- (c) Federally covered securities; and

WHEREAS, the records of OFIS disclose that the securities transactions offer by Respondents are not exempt under Section 402 of the Act; and

WHEREAS, the Administrator finds that the Respondents have omitted to state the material fact that they are not licensed under the Act and that the securities are an unregistered security; and

WHEREAS, based on the foregoing, the Administrator finds that Respondents are engaged in acts and practices that violates Section 101, 201, and 301 of the Act and Rules promulgated under the Act; and

WHEREAS, the Administrator finds this action necessary and appropriate in the public interest for the protection of the public and consistent with the purposes fairly intended by the policy and provisions of the Act.

IT IS THEREFORE ORDERED, pursuant to Section 408 of the Act, MCL 451.808, that:

1. The Respondents shall immediately **CEASE AND DESIST** from transacting business in this state as a broker-dealer, an agent, or an investment advisor without being registered under the Act and from offering to sell or selling unregistered securities in and from the State of Michigan.

2. Respondent Franz E. Bader and Respondent Jodie Napolitan shall each pay a civil penalty of \$1,000.00 to the State of Michigan within thirty (30) days from entry of the Order.

3. Failure to comply with this ORDER will subject the Respondents to further enforcement action, as provided in the Act:

You may file with the Administrator within 15 days after service of this Order a written request for a hearing. The Administrator, within 15 days after your filing, shall issue a notice of hearing and set a date for the hearing. Any request for a hearing should be addressed to: the Office of Financial and Insurance Services, Attention: Hearing Coordinator Dawn Kobus, P.O. Box 30220, Lansing, Michigan 48909.

If you do not request a hearing, or it is not ordered by the Administrator within 15 days, this Order will stand as entered and will be FINAL.

It is important to understand that any statements that you present in response to this Order may be used against you at a hearing. It is also important to understand that you have the right, at your own expense, to have an attorney assist you at a hearing.

Any other communication regarding this Order should be addressed to the Office of Financial and Insurance Services, Attention: William Peattie, P.O. Box 30220, Lansing, Michigan 48909.

MICHIGAN DEPARTMENT OF
LABOR & ECONOMIC GROWTH

By: _____
Linda A. Watters, Commissioner